Public
Employees
Pension
Plan

2010-11
ANNUAL REPORT

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Letters of Transmittal

Ken Krawetz
Minister of Finance

His Honour, The Honourable Dr. Gordon L. Barnhart
Lieutenant Governor of the Province of Saskatchewan

May it Please Your Honour:

I respectfully submit the Annual Report of the Public Employees Pension Board for the fiscal year ending March 31, 2011.

Ken Krawetz
Minister of Finance

The Honourable Ken Krawetz
Minister of Finance

Sir:

On behalf of the Public Employees Pension Board, I have the honour of submitting the Annual Report of the Public Employees Pension Board for the fiscal year ending March 31, 2011.

Kenneth R. Horsman
Chair

Chair's Comments

Kenneth R. Horsman
Chair

On behalf of the members of the Public Employees Pension Board (the Board), I am pleased to present the 2010-2011 Annual Report of the Public Employees Pension Plan (PEPP). Detailed herein are the critical strategic plan activities and accomplishments and pertinent Plan financial and investment information.

One of the Board's objectives is to maintain an up-to-date suite of products as well as services to meet evolving member needs and provide members with a reason to remain in the Plan. As such, the Board is determined to enhance the value-added services the Plan provides to its members.

One of PEPP's newest value-added services is the Retire@Ease statement. It was provided to members for the first time in 2010. The Retire@Ease statement uses each member's personal PEPP information to help members better understand retirement planning. This statement is hoped to encourage greater use of the online planner and increase awareness of retirement planning.

Currently, defined contribution (DC) pension plan members are facing an issue of taxation fairness. Defined benefit (DB) pensioners can split their pension income and claim a tax credit upon retirement while members of DC plans like PEPP receiving pension income from a variable pension benefit (VPB) must wait until age 65 for tax relief. A Board activity in 2010 and again in 2011 will be to highlight the importance of the issue to members and the federal government alike.

I am privileged to chair the Public Employees Pension Board and to present the 2010-2011 Annual Report.

Kenneth R. Horsman

Kenneth R. Horsman
Chair

Public Employees Pension Board

The Public Employees Pension Board (the Board) administers PEPP. The Board has the fiduciary responsibility for administering PEPP and managing the investment activities in the best interests of all PEPP members.

The Board consists of nine members; four are appointed on behalf of participating employers, four on behalf of employees. The Board conducts an external recruitment process to choose a Chair, who is appointed for a three-year term.

Public Employees Pension Board Members at March 31, 2011

Name	Position	Appointing Body
Kenneth R. Horsman	Chair	Public Employees Pension Board
Michael Friebe	Vice-Chair	Canadian Union of Public Employees Local 600
Jack Duvall	Member	Saskatchewan Government and General Employees' Union
Sean Engemoen	Member	Saskatchewan Institute of Applied Science and Technology Saskatchewan Liquor and Gaming Authority
Derrick Goulet	Member	International Brotherhood of Electrical Workers Union Local 2067
Denise Macza	Member	Public Service Commission
Kathy Martin	Member	Communications, Energy and Paperworkers Union of Canada
Dennis Terry	Member	SaskEnergy, SaskPower, SaskTel
Cathy Uhersky	Member	Saskatchewan Crop Insurance Corporation, Workers' Compensation Board, Saskatchewan Cancer Foundation

Table 1.0

PURPOSE

To provide retirement assets to its members.

MISSION

To manage the assets and expenses solely in the best interests of members.

GOALS

To ensure all Plan members are well informed about the plan and the choices they can make within the plan.

Education

The Board has an education program for Board members. The purpose of the program is to ensure the Board possesses a sound knowledge and understanding of pension related issues. The Board budgets $5,000 per year for each Board member for registration fees. Other expenses are reimbursed at rates established by the Saskatchewan Public Service Commission. *Table 1.1* lists the education events attended by Board members to March 31, 2011.

Seminars, Courses and Other Events Attended by Board Members in 2010-2011

Board Member	Educational Events Attended	Registration Fees	Other Expenses	Total
Kenneth R. Horsman	▶ Annual Pension Information Session ▶ CPBI Luncheon and Presentation	$95.24	$1,990.76	$2,086.00
Michael Friebe	▶ Annual Pension Information Session ▶ CPBI Luncheon and Presentation	$38.10	$541.90	$580.00
Jack Duvall	▶ Annual Pension Information Session ▶ ATMS Part II Pensions[1] ▶ Canadian Investment Institute Conference ▶ Canadian Public Sector Pensions Conference	$4,150.00	$1,332.63	$5,482.63
Sean Engemoen	▶ Annual Pension Information Session	-	$167.16	$167.16
Derrick Goulet	▶ Annual Pension Information Session	-	$568.26	$568.26
Denise Macza	▶ Annual Pension Information Session ▶ Institute of Corporate Directors Education Program (attended three sessions)	$14,464.00	$5,130.70	$19,594.70
Kathy Martin	▶ None attended since September 1, 2010 appointment		-	-
Dennis Terry	▶ CPBI Luncheon and Presentation	$47.62	-	$47.62
Cathy Uhersky	▶ CPBI Forum 2010	$800.00	$1,748.97	$2,548.97

[1] Advanced Trustee Management Standards

Table 1.1

Meeting Attendance

Members of the Board receive no compensation for the performance of their roles as Board members. They are remunerated for reasonable expenses for attending Board meetings and other functions in their capacity as Board members. The Chair is remunerated with a retainer and a per-meeting fee paid in accordance with a fee schedule set by the Board.

The Board met nine times in the 2010 - 2011 fiscal year. *Table 1.2* shows the number of meetings each Board member attended.

Name	Number of Meetings Attended
Kenneth R. Horsman	9
Michael Friebe	9
Jack Duvall	8
Sean Engemoen	8
Derrick Goulet	9
Denise Macza	7
Kathy Martin*	6
Dennis Terry*	5
Cathy Uhersky	9

* Dennis Terry and Kathy Martin were appointed on September 1, 2010. The Board met six times during the period of September 1, 2010 to March 31, 2011. *Table 1.2*

Plan Profile

79 participating employers **50.2** thousand members **$4.9** billion total assets

PEPP is established and governed by The Public Employees Pension Plan Act. It is registered as a pension plan pursuant to The Pension Benefits Act, 1992 and the Income Tax Act (Canada).

The Public Employees Pension Plan (PEPP) has 79 participating employers and 50,236 members at March 31, 2011. Participating employers include the Government of Saskatchewan, Crown Corporations, agencies, boards and other public institutions. The 23 executive government ministries and agencies are considered one employer.

PEPP is a defined contribution (DC) pension plan. A member's contributions and his or her employers' contributions, plus any return on investment, are used to provide a member with income based upon the account balance he or she has built at retirement.

Enrolment in the Plan is mandatory for employees who hold a permanent position with an employer participating in the Plan. Unless otherwise specified in an agreement, non-permanent employees may choose to join the Plan at any time.

Employee and employer contributions are calculated as a percentage of the employee's total gross regular earnings. Unless otherwise specified in an agreement, the contribution percentage is five per cent. Member contributions are made by payroll deduction.

Contributions to PEPP are tax deductible to a maximum set by the *Income Tax Act* (Canada). The member does not pay taxes on contributions or the accumulated investment income until he or she withdraws an amount from the Plan.

Contributions are forwarded to the Plan and are used to purchase units in the PEPP investment option of the member's choice.

Units are valued daily following market close. Once a new unit value is declared, member accounts are valued using the new unit value. Return on investment is reflected in the changing unit value.

The amount the member receives at payout or transfer is calculated using the unit value in effect at the date of payment.

Members may retire and begin to receive retirement income at age 50 or older.

Members may defer purchasing a retirement income option after retirement. The *Income Tax Act* (Canada) states that a pension must begin by the end of the calendar year a member turns age 71.

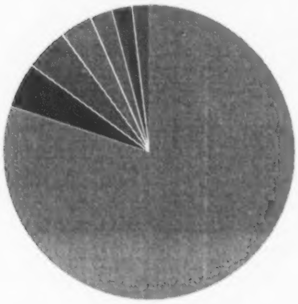
Financial Highlights

(as at March 31, 2011)

Public Employees Benefits Agency (PEBA)
PEBA Staff

Assets by Investment Option ($ millions)

(as at March 31, 2011)



3,929.4 Balanced Fund (BF)
247.1 Short-term Bond Fund (SBF)
234.5 PEPP Steps Fund
176.6 Growth Fund (GF)
125.5 Accelerated Growth Fund (AGF)
110.2 Moderate Fund (MF)
82.9 Conservative Fund (CF)

PEPP Fees and Rates of Return[1]

(as at March 31, 2011)

	AGF	GF	BF	MF	CF	SBF
Gross Rate of Return (%)	13.1	12.0	10.9	9.9	7.4	3.7
Fees - PEBA & Board[2] (%)	0.1	0.1	0.1	0.1	0.1	0.1
Fees - Investments[3] (%)	0.4	0.4	0.3	0.3	0.2	0.1
Net Rate of Return (%)	**12.6**	**11.5**	**10.5**	**9.5**	**7.1**	**3.5**
Benchmark	13.1	12.0	10.7	9.5	6.9	3.4

[1] The rate of return and fee data for the PEPP Steps Fund varies with each step.
[2] Of the 0.1% fees shown, the Board accounts for less than 0.01%.
[3] Investment fees include fees for investment managers, consulting, and custody.

Investments

Year in Review

In Canada, the economic situation was respectable considering the uncertainty around the global recovery.

The first half of the fiscal year was disappointing as markets pulled back amidst concerns the global economic recovery may well revert into recession. China, a major driver of global demand began restraining domestic growth and inflation, and the European sovereign debt distress led to a crisis in confidence, bailouts, and implementation of austerity measures; not economically stimulative conditions. Despite this tough start, the second half of the plan year witnessed an impressive rally in equity markets resulting in decent returns among the investment options in 2010-2011.

The rally in equities took place amidst a climate often inflamed with geo-political uncertainties, natural disasters, and a multitude of economic risks and crises. In the U.S., employment continued to be problematic, housing and household incomes remained generally weak, consumer spending decelerated, and the Federal Reserve announced a second round of quantitative easing as the central bank remained more concerned over deflation than inflation. Favourable economic news in the U.S. economy included increased manufacturing activity, strong corporate earnings, and a rebound in auto sales. The U.S. S&P 500 ($Cdn hedged) index gained 10.9 per cent in the fiscal year.

In Canada, the economic situation was respectable considering the uncertainty around the global recovery. Employment and real gross domestic products (GDP) regained from the previous recession's losses, domestic spending improved, and Canadian stock market returns soared as the U.S. dollar depreciated and commodity prices rallied considerably (oil and commodity exports are a significant portion of the Canadian economy). However due to global growth concerns and its bearing on the Canadian economy, the Bank of Canada, after having hiked interest rates three times in 2010, paused in monetary policy tightening, leaving the key policy rate unchanged at 1.0 per cent since September 2010. The S&P/TSX Composite index gained 20.4 per cent in the year.

Despite widespread conviction that bond prices had peaked and with expectations for flat or negative returns in bonds abounding at the onset of the year, fixed income returns actually fared quite well as the Canadian DEX Universe Bond Index gained over 5.0 per cent in the fiscal year. This return was achieved despite a pullback in the DEX in November 2010 followed by four months of largely flat monthly returns right up to the end of the fiscal year.

Currency fluctuations over the Plan year had a mixed impact on foreign returns expressed in Canadian dollars. While over the 2010 calendar year the Canadian dollar appreciated against most foreign currencies including the U.S. dollar, the euro, and the pound, over the 2010-2011 Plan period, the Canadian dollar actually depreciated relative to many foreign currencies but maintained its strength against the U.S. dollar. Subsequently, unhedged Non-North American mandates and hedged U.S. mandates ended the year with an added boost in returns.

Overview

The Plan offers members the choice of six asset allocation funds:

- Accelerated Growth Fund
- Growth Fund
- Balanced Fund
- Moderate Fund
- Conservative Fund
- PEPP Steps Fund

Members may invest in the Short-term Bond Fund, either in addition to, or instead, of investing in one of the six asset allocation funds.

Asset allocation funds invest in a mix of asset classes, including equities (Canadian and foreign), real estate, fixed income and cash equivalents. The mix depends on the fund: more conservative funds are weighted more heavily toward fixed-income investments, where more aggressive funds are weighted more heavily toward equities. The Short-term Bond Fund is invested solely in fixed income investments.

Equities offer the greatest potential return, but are exposed to a high level of market volatility, meaning they are susceptible to losses over the short term. As such, equities are best suited for long-term investors who are able to ride out short-term volatility in return for long-term growth potential.

Fixed-income investments, such as bonds and cash equivalents, are lower-volatility investments, meaning they are much better suited to capital preservation. For this reason, members with less tolerance for short-term volatility may prefer funds with a greater percentage of fixed income.

PEPP Members

choose

Investment Choices
Accelerated Growth Fund
Growth Fund
Balanced Fund
Moderate Fund
Conservative Fund
PEPP Steps Fund
Short-term Bond Fund

invest in

Asset Class	Investment Managers
Canadian equities	Greystone Managed Investments Inc. TD Asset Management Inc. GlobeFlex Capital, L.P. Hillsdale Investment Management Inc.
Foreign equities	Hansberger Global Investors, Inc. TD Asset Management Inc. BlackRock Asset Management Canada Inc. Tweedy, Browne Company LLC Franklin Templeton Investments Corp.
Real estate	Greystone Managed Investments Inc.
Bonds	Greystone Managed Investments Inc. TD Asset Management Inc.
Cash & equivalents	TD Asset Management Inc.
Short-term Bonds	Greystone Managed Investments Inc.

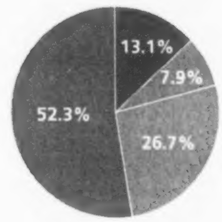
Members will want to make an investment choice that fits their risk tolerance and investment profile. PEPP's seven investment options offer members a range from the Accelerated Growth Fund, an equity-based fund, to the Conservative Fund, invested mainly in fixed-income investments, to the Short-term Bond Fund, invested solely in fixed income investments.

The PEPP Steps Fund, the default investment fund for the Plan, is an asset allocation fund that automatically moves members to more conservative investments every five years. Equity holdings decrease and bond holdings increase by increments of approximately five per cent for each step.

Investment Options*

■ Fixed Income ■ Real Estate ■ Foreign Equity ■ Canadian Equity

Accelerated Growth Fund



The Accelerated Growth Fund offers the highest risk and highest potential return. The goal of this fund is to provide capital growth over the long term. It invests primarily in equities. Foreign currency exposure for this fund is 34.1% (foreign exposure of 52.3%, less hedged exposure of 18.2%).

13.1% Annualized Rate of Return LESS **0.53%** Fund Fees = **12.6%** Net Rate of Return

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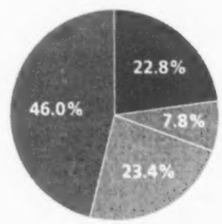
Growth Fund



The Growth Fund is an aggressive fund, offering relatively high risk and relatively high potential return. Its goal is to provide capital growth over the long term by investing largely in equities. Foreign currency exposure for this fund is 30.7% (foreign exposure of 46.0%, less hedged exposure of 15.3%).

12.0% Annualized Rate of Return LESS **0.47%** Fund Fees = **11.5%** Net Rate of Return

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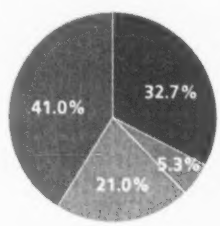
Balanced Fund

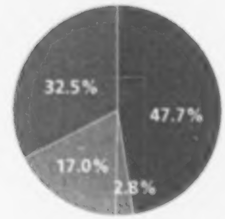


The Balanced Fund offers relatively balanced potential risk and return. Its goal is to provide long-term capital growth. The Balanced Fund provides a target weight of 65 per cent for equities and real estate. Foreign currency exposure for this fund is 29.2% (foreign exposure of 41.0%, less hedged exposure of 11.8%).

10.9% Annualized Rate of Return LESS **0.41%** Fund Fees = **10.5%** Net Rate of Return

* The pie charts for all of the investment options list the actual asset mix for each fund as at March 31, 2011.

Moderate Fund



The Moderate Fund is designated to provide a balance of security and long-term growth by balancing the risk and potential returns of the major asset classes. It invests almost equally in fixed income and equities with a small allocation to real estate. Foreign currency exposure for this fund is 23.0% (foreign exposure of 32.5%, less hedged exposure of 9.5%)

9.9% Annualized Rate of Return LESS **0.36%** Fund Fees = **9.5%** Net Rate of Return

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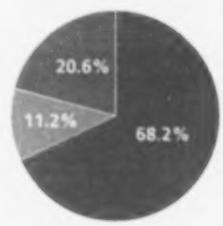
Conservative Fund



The Conservative Fund is designed to provide returns with little fluctuation. By focusing mainly on fixed income investments, it offers lower risk and lower potential for return than other PEPP asset allocation funds. Foreign currency exposure for this fund is 17.7% (foreign exposure of 20.6%, less hedged exposure of 2.9%)

7.4% Annualized Rate of Return LESS **0.25%** Fund Fees = **7.1%** Net Rate of Return

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Short-term Bond Fund

The Short-term Bond Fund is the most conservative investment choice within PEPP and offers the lowest potential risks and returns. Because its goal is to preserve capital, it invests strictly in bonds with a maturity of five years or less. There is no foreign currency exposure for this fund.

3.7% Annualized Rate of Return LESS **0.22%** Fund Fees = **3.5%** Net Rate of Return

Investment Options

■ Fixed Income ■ Real Estate ■ Foreign Equity ■ Canadian Equity

PEPP Steps Fund

The PEPP Steps Fund is the default investment fund for the Plan. It is made up of a diversified investment portfolio, which automatically moves members to more conservative investments in five-year intervals. Equity holdings decrease and bond holdings increase by increments of about five per cent for each step. Because of its unique structure, the PEPP Steps Fund will not have a single rate of return or fee level. Fees range from 0.53% for PEPP Step 1 to 0.25% for PEPP Step 12.

PEPP Steps	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**
Gross Rate of Return (%)	13.1	13.2	12.0	11.5	10.9	10.5	10.1	9.9	9.1	8.6	8.0	7.4
Fees	0.5	0.5	0.5	0.4	0.4	0.4	0.4	0.4	0.3	0.3	0.3	0.3
Net Rate of Return (%)	**12.6**	**12.7**	**11.5**	**11.1**	**10.5**	**10.1**	**9.7**	**9.5**	**8.8**	**8.3**	**7.7**	**7.1**
Benchmark	13.1	12.6	12.0	11.5	10.7	10.4	9.9	9.5	8.9	8.2	7.4	6.9

Target Asset Mix

The Board has adopted a Statement of Investment Policies and Goals (SIP&G) for the Plan to guide the Board in carrying out its duties pertaining to the investment of Plan assets.

As indicated in the overview section, members of the Plan can choose to invest in any asset allocation fund and/or the Short-term Bond Fund. Each investment option has a target asset mix for the asset classes that it invests in. Each investment option can fluctuate somewhat higher or lower than these target asset mixes, but only within approved ranges as identified in the SIP&G. *Table 1.3* shows the *target asset mix* for each investment choice.

Fund Name	**Canadian Equity (%)**	**U.S. Equity (%)**	**Non-N. American Equity (%)**	**Real Estate**	**Fixed Income (%)**	**Cash & equivalents (%)**	**Short-term bonds (%)**
Accelerated Growth	26.0	25.5	26.0	7.5	14.0	1.0	0.0
Growth	22.5	22.5	22.5	7.5	24.0	1.0	0.0
Balanced	20.0	20.0	20.0	5.0	34.0	1.0	0.0
Moderate	16.0	16.0	15.5	2.5	49.0	1.0	0.0
Conservative	10.0	10.0	10.0	0.0	60.0	10.0	0.0
Short-term Bond	0.0	0.0	0.0	0.0	0.0	0.0	100.0
PEPP Steps	10.0 - 26.0	10.0 - 25.5	10.0 - 26.0	0.0 - 7.5	14.0 - 60.0	1.0 - 10.0	0.0

Table 1.3

Investment Managers

Within each asset class, one or more investment managers are used for each investment option. The use of different managers allows for further diversification of the investments within each investment option. Use of different investment managers allows the Plan to employ different investment styles that can focus on different regions or sectors for investment, reducing the risk that any one region, sector or style may suffer during any economic cycle or event.

Investment Manager Mandates

Investment Manager	Mandate	Description
Globe Flex Capital, L.P. (GlobeFlex)	Canadian Equities	GlobeFlex actively manages small cap Canadian equities.
Greystone Managed Investments Inc. (Greystone)	Canadian Equities	Greystone actively manages Canadian equities.
	U.S. Equities	Greystone actively manages U.S. equities, without currency hedging.
	Real Estate	Greystone actively manages real estate.
	Fixed Income	Greystone actively manages fixed income.
	Short-term Bonds	Greystone actively manages the Short-term Bond Fund.
Hansberger Global Investors, Inc. (Hansberger)	Non-North American Equities	Hansberger actively manages non-North American equities, without currency hedging.
Hillsdale Investment Management	Canadian Equities	Hillsdale actively manages small and mid cap Canadian equities.
BlackRock Asset Management Canada Ltd. (BlackRock)	U.S. Equities	BlackRock actively manages small and mid cap U.S. equities, with currency hedging.
TD Asset Management Inc. (TDAM)	Canadian Equities	TDAM passively manages Canadian equities.
	U.S. Equities	TDAM passively manages U.S. equities, without currency hedging.
	Fixed Income	TDAM passively manages fixed income.
Franklin Templeton Investments Corp. (Templeton)	Non-North American Equities	Templeton actively manages non-North American equities, without currency hedging.
Tweedy, Browne Company LLC (Tweedy)	Non-North American Equities	Tweedy actively manages non-North American equities, with currency hedging.

Table 1.4

Investment Performance

The Board retains eight investment managers to invest the assets of the Plan. Those managers employing an "active" investment management style are given the objective of out-performing the market index or benchmark selected for their mandate. Managers employing a "passive" investment management style are given the objective of equalling the market index or benchmark selected for their mandate.

CANADIAN EQUITIES	NET RATE OF RETURN (%)	
	1 Year Return	4 Year Return
Canadian Equity Managers		
Greystone (active manager)	17.5	1.8
TDAM (passive manager)	20.4	4.8
Benchmark (TSX/S&P Capped Composite Index)	*20.4*	*4.7*
Canadian Small/Mid Cap Equity Manager*		
Hillsdale (active manager)	23.9	n/a
Benchmark (TSX/S&P Completion Index)	*29.9*	*n/a*
Canadian Small Cap Equity Manager*		
GlobeFlex (active manager)	20.8	n/a
Benchmark (BMO Small Cap Index)	*33.7*	*n/a*

** New mandate in 2007 - no four-year returns to report.*

U.S. EQUITIES	NET RATE OF RETURN (%)	
	1 Year Return	4 Year Return
U.S. Equity Managers		
Greystone (active manager)	13.9	(1.7)
TDAM (passive manager)	10.9	(3.7)
Benchmark (S&P 500 Index $Cdn)	*10.9*	*(3.8)*
U.S. Small/Mid Cap Equity Manager*		
BlackRock (active manager)	24.9	n/a
Benchmark (S&P US Mid Small Cap Index - Hedged)	*20.1*	*n/a*

** New mandate in 2010 - no four-year returns to report.*

NON-NORTH AMERICAN EQUITIES	NET RATE OF RETURN (%)	
	1 Year Return	4 Year Return
Non-North American Equity Managers		
Hansberger (active manager)	8.2	(4.6)
Templeton (active manager)	5.6	(6.6)
Benchmark (MSCI EAFE Index - $Cdn)	*6.3*	*(6.5)*
Hedged Non-North American Equity Manager		
Tweedy (active manager)	6.1	(3.6)
Benchmark (MSCI EAFE Index - Hedged)	*2.3*	*(6.2)*

FIXED INCOME	NET RATE OF RETURN (%)	
	1 Year Return	4 Year Return
Canadian Bond Managers		
Greystone (active manager)	5.9	5.7
TDAM (passive manager)	5.2	5.2
Benchmark (DEX Universe Bond Index)	*5.1*	*5.2*
Short-term Bonds		
Greystone (active manager)	3.6	5.0
Benchmark (DEX Short-term Bond Index)	*3.4*	*5.0*

REAL ESTATE	NET RATE OF RETURN (%)	
	1 Year Return	4 Year Return
Real Estate Manager		
Greystone (active manager)	9.3	7.7
Benchmark (Investment Property Databank)	*12.4*	*7.3*

CASH AND EQUIVALENTS	NET RATE OF RETURN (%)	
	1 Year Return	4 Year Return
Money Market Manager		
TDAM (active manager)	1.1	2.4
Benchmark (DEX 91-Day T-Bill Index)	*0.8*	*2.0*

NOTES:

1. *Net rates of return are reported above. Prior annual reports reported gross rates of return.*

2. *During 2009, the Board terminated the U.S. equity mandate managed by Northwater Capital Management Inc. (Northwater). A less liquid portion of this mandate, consisting of a fund of hedge funds, is still held by the Plan and is being redeemed. Subsequent to termination, Northwater sold its fund of hedge funds operations to Crestline Investors Inc.*

Investment Consulting

The Board retained Aon Hewitt, previously known as Hewitt Associates, for investment consulting services through August 2010. In 2010, the Board engaged Mercer (Canada) Limited for investment consulting services that include research and analysis of financial markets, market trends, Investment Managers, and investment performance, but also global trends in investments and pension plan design. Aon Hewitt was paid $64,434 in fees and Mercer (Canada) Limited was paid $308,104 for the year ended March 31, 2011.

Investment Custody and Valuation

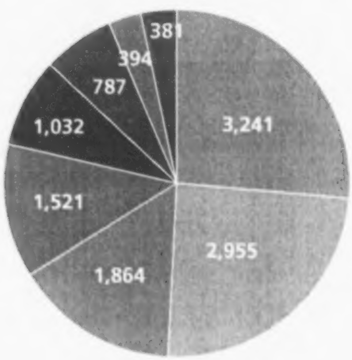
The Board retains RBC Dexia Investor Services Trust as the custodian of the Plan. The custodian is responsible for custody of all financial assets of the Plan (in the name of PEPP), settles all investment transactions and ensures all investment income (dividends, interest) is collected. The custodian also reports all investment transactions and conducts valuation for the Plan. The custodian was paid $1,497,000 for the year ended March 31, 2011.

Investment Administration

PEBA is retained by the Board for administration of the Plan's investment program. This includes declaring unit values for all investment options, monitoring of investment performance, communications with external investment managers and the investment consultant, research, compliance monitoring and managing asset mix and cash flows.

Investment Manager Fees ($ thousands)

(for the year ended March 31, 2011)



$12,175 Total Investment Manager Fees*

- Tweedy, Browne Company LLC
- Greystone Managed Investments Inc.
- Franklin Templeton Investments Corp.
- BlackRock Asset Management Canada Ltd.
- GlobeFlex Capital L.P.
- Hillsdale Investment Management Inc.
- Crestline Investors Inc.
- TD Asset Management Inc.

* No fees are shown for Hansberger, the sub-advisor to Greystone for their Non-North American equity mandate. The Board pays all fees for this mandate to Greystone, who in turn compensates Hansberger.

Plan Administration

Public Employees Benefits Agency (PEBA)

PEBA Staff

The Board has delegated the day-to-day administration of the Plan and management of its assets to PEBA. The cost for this is charged to the Fund. PEBA is a branch of the Ministry of Finance. PEBA administers a wide range of pension and benefit plans.

Under contract with the Board, PEBA provides all services required to operate, administer and manage the Plan in a manner consistent with and according to all statutory provisions and regulations that apply to the Plan.

To administer the Plan, PEBA:

- maintains all member and accounting records;
- collects and deposits contributions to the Fund;
- transfers contributions to the custodian of the Fund for investment;
- determines all questions of coverage, eligibility and methods of providing or arranging for the provision of benefits;
- calculates and pays all pension benefits;
- communicates with members and participating employers; and
- prepares the annual report.

PEBA also provides Senior Executive Officer services and Executive Secretary services to the Board. In 2010-2011, the Board paid PEBA $5,630,297 for administrative services.

Administration Service Standards

PEBA reports measurement against standards to the Board quarterly. *Table 1.5* and *Table 1.6* provide measurement results for the 2010-2011 year.

PEBA Service Standards April 1, 2010 to March 31, 2011

Task	Completed	Number that Meet or Exceed Standard	% that Meet or Exceed Standard	Standard (Days)*	Statutory Requirement (Days)**
Statement on Termination of Membership (Option Letter)	3,297	3,215	97.5	5	90
Payment of Termination Benefits	1,459	1,419	97.3	5	-
Statement on Retirement (Option Letter)	367	349	95.1	5	90
Retirement Payments	1,965	1,900	96.7	5	-
Statement on Death (Option Letter)	63	57	90.5	5	90
Payment of Death Benefits	73	68	93.2	5	-
Pension Estimates - Variable Pension Benefit	686	674	98.3	5	-
Pension Estimates - Annuity	689	678	98.4	5	-
Marriage Breakdown Estimates	87	79	90.8	5	-
Portability Transfer Values	59	54	91.5	5	-
Written Correspondence	3,093	3,093	100.0	5	-
Total	**11,838**	**11,586**	**97.9%**		

Table 1.5

PEBA Periodic Requirements April 1, 2010 to March 31, 2011

Task	Completed	Number that Meet or Exceed Standard	% that Meet or Exceed Standard	Standard (Days)*	Statutory Requirement (Days)**
Member Statement	2	2	100	75	180
Reporting of Budget Variances	4	4	100	Quarterly	-
Proposed Annual Budget	1	1	100	By March 31	-
Performance Measurement	4	4	100	Quarterly	-
Boards Decision Affecting Individual Clients	0	0	N/A	1 Month	-
Newsletter (*Pension Perspectives*)	4	4	100	Quarterly	-
Total	**15**	**15**	**100%**		

Table 1.6

*Standard is set within the contract between the Board and PEBA.
**Statutory Requirement is a compliance standard within *The Pension Benefits Act, 1992 and Regulation*, 1993.

Membership Profile

Public Employees Pension Plan (PEPP)
Plan Member

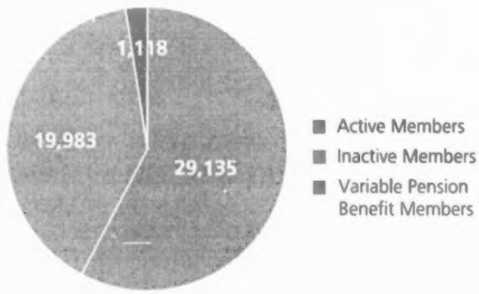
Membership Activity

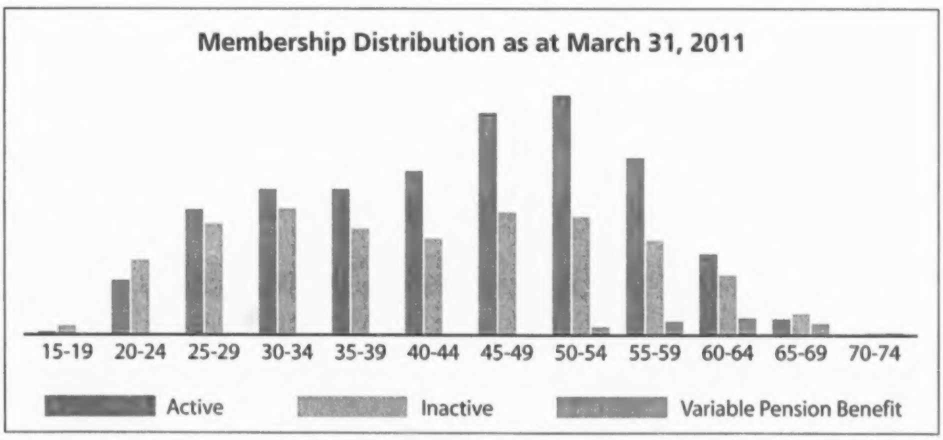
Membership at March 31, 2010	**49,715**
Add:	
PEPP enrolment during year	2,551
Variable Pension Benefit (VPB) enrolment	380
Less:	
Members exiting	2,410
Membership at March 31, 2011	**50,236**

Table 1.7

44.7 Average age of active members

The Plan membership consisted of 50,236 members as of March 31, 2011. Last plan year, 2,551 new members enrolled in PEPP.

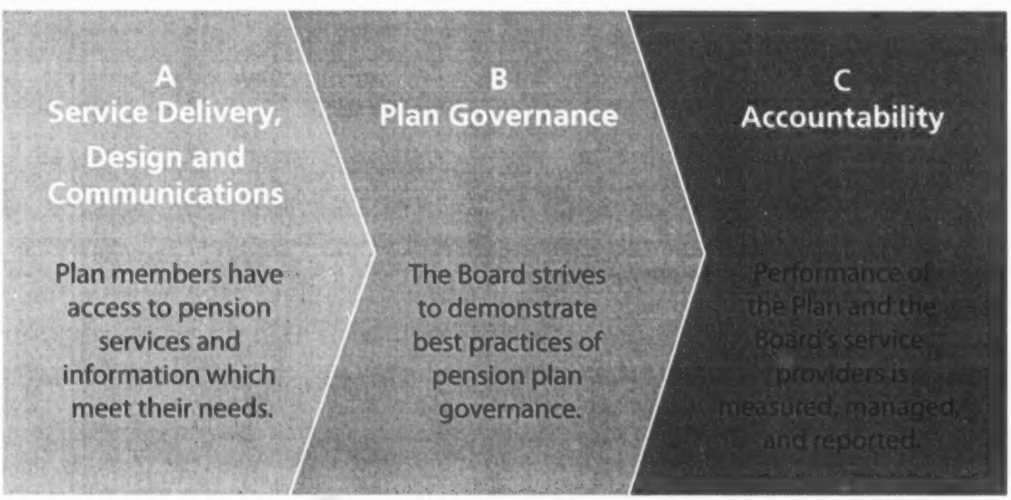




Strategic Goals

The PEPP strategic business plan was developed within the context of the Plan's purpose, mission and goals.

The Board has adopted a comprehensive governance process that includes regular strategic planning and risk assessment. The strategic goals of the PEPP Strategic Business Plan 2010 - 2011 to 2012 - 2013 include:



The Board conducts a review of its strategic business plan annually. The strategic business plan is constructed on a rolling three-year basis.

Strategic Initiatives

Public Employees Pension Plan (PEPP)
Plan Member

A. Service Delivery, Design and Communications

The Board is committed to ensuring that Plan members have access to pension services and information which meet their needs.

The Board is determined to maintain its position as an industry leader in the value-added services the Plan provides to its members.

The Board is continually exploring leading industry practices, but its primary benchmark in plan design and service delivery is the satisfaction of Plan members. The Board's goal is to ensure that Plan design and service delivery meet Plan member needs.

This means providing members with risk-appropriate investment options to enable a member to make the investment choice that is most appropriate to the member's individual circumstances. It also means providing the member with the information needed to make that choice.

The best way the Board can know whether the options and services it provides are meeting member needs is to ask members. The Board is committed to facilitating two-way communication with members to gather their feedback.

The Board's goal is to provide options and services that give members every reason to remain in the Plan and that attract the attention of other public-sector employers and employees who will seek to join the Plan.

The Board has made considerable progress with respect to this goal, including:

- the creation of the Variable Pension Benefit (VPB);
- the addition of PEPP *Access* online services and Retire@Ease retirement planning tool; and
- the addition of investment options through the implementation of Investment Choice and the ability for members to initiate transfers between options via the internet.

The Board has three objectives in the pursuit of its goal:

- Maintain an up-to-date suite of products and services that meet evolving member needs, that provide members with a reason to remain in the Plan, that attract voluntary contributions from members, and that attract other public-sector employers to join the Plan.
- Support member understanding of the Plan, including individual member benefits and responsibilities. Provide relevant, timely and accurate information which is easy to understand.
- Allocate resources to maximize effectiveness and efficiency of services provided to Plan members.

Activities Accomplished in 2010 – 2011

Define the Plan's role in the provision of financial advice to members. Conduct research regarding the provision of financial advice and develop a recommended service delivery model.

- PEPP researched the options for the delivery of financial advice to Plan members and prepared a report for the Board's consideration in early 2011-2012.

Assess feasibility of enhancing self-service by expanding online capabilities, research service delivery options, and decide on a course of action.

- PEPP continued development of event registration software to allow members to register for PEPP seminars via the Plan website.
- PEPP started research into how to enable new members to complete and submit information via the website.
- PEPP started a review of the website structure and navigation to make it easier to use.

Update suite of investment products. Review the investment policy regarding alternative asset classes and asset allocation.

- The Board received a report on comprehensive research of the Plan's investment options. The Board approved a plan to fully review the investment options in 2011-2012.

Other Activities Accomplished in 2010-2011

- The Board approved a communication policy for the Plan to manage communications with media and stakeholder groups.

Activities planned for 2011-2013

Define the Plan's role in the provision of financial advice to members. Conduct research regarding the provision of financial advice and develop a recommended service delivery model.

- The Board plans to review the recommended service delivery model and make a decision on whether to proceed with the provision of financial advice to Plan members.

Assess feasibility of enhancing self-service by expanding online capabilities, research service delivery options, and decide on a course of action.

- PEPP intends to implement the event registration software in early 2011-2012.
- PEPP will continue reviewing the feasibility of relocating website content into the PEPP *Access* online account information system.
- PEPP plans to complete its research into enabling newly enrolled members to submit information via the website.
- PEPP will assess the feasibility of providing a secure website for participating employers.
- PEPP will explore means of encouraging more members to use the PEPP *Access* online account information system and the Retire@Ease retirement planning tool.

Update suite of investment products. Review the investment policy regarding alternative asset classes and asset allocation.

- The Board will review the current investment options and their ability to meet the ongoing needs of members.
- Following the investment options review, any Board decisions will be implemented and communicated to members.

B. Plan Governance

Pension plan governance refers to the roles and responsibilities of the Board and its service providers in fulfilling the Board's fiduciary obligations to Plan members and their beneficiaries. The Board strives to be an industry leader in its pension plan governance practices.*

The Board recognizes that good governance is crucial to the long-term success of the Plan. Good governance requires appropriate control mechanisms that encourage good decision-making, proper and timely execution, and regular review and assessment. The Board has invested considerable effort in developing its governance practices and policies, and will continue to seek ways of improving its governance program.

Several ongoing initiatives have been implemented in this area, including:

- annual self-assessment based on Canadian Association of Pension Supervisory Authorities Guidelines;
- annual self-assessment and periodic external assessment against the Guidelines for Capital Accumulation Plans and best practices;
- the creation of a Board Policy Manual with ongoing policy development; and
- periodic benchmarking of the Board's governance practices against the governance practices of other pension governing bodies through benchmarking surveys and audits.

The Board's primary objective in its pursuit of this goal is to improve its oversight of the Plan.

Activities Accomplished in 2010–2011

Review Board practices, areas of focus, and Board/ Management roles and responsibilities.

- The Board participated in a benchmarking survey in order to compare its governance practices with those of other Canadian public-sector pension boards. The survey found the Board's practices to be consistent with published standards and the practices of its peers. The Board approved changes to its governance practices with regard to four items identified by the survey report as being areas for consideration and possible improvement.
- The Board engaged a consultant to facilitate the development of a competency profile for the Board.
- The Board approved the development of a process for the evaluation of the executive management services provided to the Board, and the Board engaged a consultant to facilitate the process.

Activities planned for 2011-2013

- The Board intends to complete the development of a competency profile for the Board.
- The Board expects to complete and implement on an ongoing basis a process to evaluate the executive management services provided to the Board.
- The Board plans to review alternate models for the administration of the Plan.
- The Board plans to implement a policy on director certification.
- The Board will consider options to amend its educational program for Board members to include additional financial literacy, Plan-specific, Board-specific, and governance-focused content.

** A fiduciary relationship is a legal term for a special type of relationship under the law where one party is bound to act strictly in the best interest of the beneficiary. An example of a fiduciary relationship is the relationship between a doctor and a patient: a doctor is bound to act honestly, in good faith, and strictly in the best interest of the patient.*

C. Accountability

The Board measures, manages, and reports on the performance of the Plan and its service providers.

The Board believes that good governance requires a strong focus on accountability, the basis of which is the establishment of measurable objectives, the monitoring of progress against these objectives, and the communication of the results to Plan stakeholders.

The Board has made considerable progress with respect to this goal, including:

- the establishment of service standards for the Plan administrator and the annual third-party audit of the administrator's reports with respect to those standards;
- the development and implementation of a strategic business plan; and
- annual Board member self-assessment.

The Board has two primary objectives in its pursuit of this goal:

- The Board demonstrates that it governs the Plan responsibly.
- The Board demonstrates that it provides appropriate oversight of service providers.

Activities Accomplished in 2010–2011

Comprehensive review of the Plan's investment policy regarding environmental, social, and governance (ESG) considerations.

- The Board approved the development of a statement of its investment belief with regard to environmental, social, and governance considerations for inclusion in its investment policy in 2011-2012.

Implementation of the balanced scorecard.

- The Board initiated a review of the measures included in the balanced scorecard and the development of targets for the balanced scorecard. The review was completed, and PEPP developed recommendations for the Board.

Activities planned for 2011-2013

Comprehensive review of the Plan's investment policy regarding environmental, social, and governance (ESG) considerations.

- The Board plans to finalize the statement of its investment belief with regard to environmental, social, and governance considerations for the Plan's investment policy.

Implementation of the balanced scorecard.

- The Board is scheduled to review the recommendations and approve changes to the balanced scorecard.

Risk Management

Public Employees Benefits Agency (PEBA)

PEBA Staff

Within its mandate, the Public Employees Pension Board is responsible for managing risks that could affect the operation of the Public Employees Pension Plan, the Plan's members and other stakeholders.

Annually, the Board will conduct a risk management review. This annual review is designed to identify potential events and trends that may positively or negatively affect the Board's ability to achieve its strategic goals or maintain its operations. These events and trends are defined as risks.

> ***Risk:*** The potential events and trends that may positively or negatively affect the operation of the Plan, the members or other stakeholders of the Plan or the attainment of strategic goals.

The risk management process and review ensures that the Board, along with its administrator, identifies and evaluates risks, ensures appropriate strategies are in place to manage these risks and reviews the performance of the risk management strategies for the previous year.

The Risk Management Plan and its annual review ensure that a regular, documented process is in place for the management of the Plan's foreseeable risks. Documenting the rationale for arriving at decisions strengthens accountability and demonstrates due diligence.

> ***Board's Risk Management Philosophy Statement***
>
> The Board is committed to creating and maintaining value for the stakeholders of the Plan. The Plan faces risks as the Board fulfills this commitment. Therefore, the Board is responsible for managing all foreseeable risks that could affect the operation of the Plan and the Plan's stakeholders. Through its risk management process, the Board identifies, measures, monitors and manages these risks in a manner that is consistent with the Board's governance model.

Key Risks

In order to assist in the identification and assessment all foreseeable risks in the Plan, the Board has identified the following key broad-based risks to the Plan:

Broad-based Risks	Key Risks
Strategic Risk *Strategic Risk is the risk of failing to meet objectives. Strategic risk is further categorized into governance, reputational, plan design and communication considerations.*	▸ Failure to meet plan members' or participating employers' needs. ▸ Lack of member understanding of the role of the pension plan in the attainment of their retirement objectives. ▸ Inappropriate governance structure.
Financial Risk *In order to meet the long-term needs of members and employers, sustainable pension products responsive to and valued by members, employers, unions and the sponsor must be maintained. This must be achieved in a way that considers the affordability and adequacy of the Plan's services.*	▸ Investment of assets. ▸ Excessive costs/expenses. ▸ Fraudulent activities of service providers, administrator or the Board.
Regulatory Risk *Regulatory risk is the risk of not meeting objectives due to not complying with law, legislation or regulations; or due to changes in law, legislation, or regulations.*	▸ Non-compliance with legislative and common-law requirements. ▸ Fiduciary obligations to plan members and stakeholders.
Operational Risk *Operational risk is the risk of failing to meet objectives due to inadequate or failed internal processes, human performance, or technology, or due to external events. Operational risk includes service provider risk, which is the risk of failing to meet objectives due to the inability or unwillingness of a service provider to fulfill its obligations.*	▸ Errors and omissions by administrative agent or professional advisors. ▸ Service provider unable to carry on business. ▸ Poor performance of service providers.

The Board believes that these broad-based risks are integrated with each other and with the processes of the Plan. Therefore, the Board has to retain a balanced approach in the management of all four types of risk.

The Board has developed and implemented these strategies and ongoing business practices to manage these risks:

- The Board implemented a Statement of Investment Policies and Goals (SIP&G) that outlines the Board's investment beliefs and provides for risk management through diversification of asset classes, capital markets and investment managers.

  The SIP&G defines the benchmark to which investment performance is measured. The Board annually reviews the SIP&G.

  The Board communicates investment performance.

  Independent monitoring is carried out by:

  - PEBA;
  - Mercer (Canada) Ltd.;
  - RBC Dexia Investor Services; and
  - Custodians of pooled funds used by the Board.
- The Board ensures initiatives and Plan-related activities are adequately funded through its budgeting process.
- The Board receives a report comparing the administrative costs for public-sector pension plans, including other public-sector defined contribution pension plans annually.
- The Board reviews the performance standards for the Board's administrator, investment consultant, investment managers, and custodian on a quarterly basis.
- The Board annually evaluates the performance of the executive management services provided by its administrator.
- The Board requires that service providers confirm that they maintain disaster recovery plans and adhere to a code of conduct.
- There are two levels of audit:
  - The Board retains Deloitte & Touche LLP to conduct an audit of the Plan.
  - The Provincial Auditor reports to the Legislative Assembly regarding the audit of the Plan.
- The Board has an Acquisition and Retention of Services policy that details how the Board is to retain service providers.
- The Board's administrator reviews and reports compliance with legislative requirements annually.
- The Periodic Checklist is a list of major items identified by the Board that are necessary for the administration of a pension plan. The checklist allows verification that an activity has been carried out. The completed Periodic Checklist is provided to the Board on a semi-annual basis.
- Board members are required to review and sign the Board's Code of Conduct and Conflict of Interest Procedures at least annually.
- The Board has outlined the education required to aid Board members in executing their fiduciary and governance duties.
- The Board formally reviews its Strategic Business Plan on a periodic basis.
- The Board regularly consults with legal counsel and outside advisors regarding issues on which it is deliberating.
- The Board retains service providers who are experts in the responsibilities to which they are assigned with respect to the Plan.
- PEBA's staff provides retirement information seminars and individual information to Plan members.
- Information tools include member and employer seminars, employer bulletins and guides, website information, and written materials.
- The Board consults with Plan members and participating employers on a regular basis to determine their needs.

Activities Accomplished in 2010-2011

The Board will continue to assess new investment strategies with respect to how these strategies fit with the Plan's investment objectives.

- The Board reviewed and amended its investment policy in May 2010.
- The Board has undertaken a strategic initiative to review the investment options provided to members of the Plan.

Periodic evaluation by the Board's administrator of the performance of the auditor, investment consultant and custodian.

- The Board reviewed the performance of its auditor in September 2010. The Board reviewed the performance of its custodian in September 2010 and January 2011. The Board reviewed the performance of its investment consultant in March 2011. The evaluations found the performance of all service providers to be satisfactory.

The Board will continue to receive quarterly updates comparing actual expenditures versus budgeted amounts.

- The Board received quarterly updates on its budget for the periods ending June, September, and December 2010, and March 2011.

The Board's auditor will audit PEBA's reporting of performance measures to the Board.

- The Plan's auditor, Deloitte and Touche LLP (Deloitte), reported to the Board in June 2010 on its audit of the administrator's reporting of its performance of administration tasks as it compared to the service standards. No exceptions were reported.

The completed Periodic Checklist will be provided to the Board on a semi-annual basis.

- PEBA provided the Board with the final Periodic Checklist for 2009-2010 in May 2010 and the interim Periodic Checklist for the first six months of 2010-2011 in November 2010.

Other activities accomplished in 2010-2011

- In October 2010, the Board received the results of a survey it participated in to ascertain how its governance practices compare with the practices of other pension boards. In January 2011, the Board approved measures to address areas for improvement that were identified by the audit.
- PEBA commenced working with its service providers to implement the automation and standardization of processes for monitoring the allocations to investment managers and investment funds and validation of unit values. Implementation, planned for 2011-2012, will reduce the risk of error, bring processes in line with industry standards, and enhance PEBA's ability to monitor and adjust allocations.

Activities planned for 2011-2012

- The Board will complete its review of the Plan's investment options and how these options fit with the Plan's investment objectives.
- The Board will continue to periodically evaluate the performance of its auditor, investment consultant, and custodian.
- The Board will continue to receive quarterly updates comparing actual expenditures versus budgeted amounts.
- The Board's auditor will audit PEBA's reporting of performance measures to the Board.
- The completed Periodic Checklist will be provided to the Board on a semi-annual basis.
- PEBA will implement the automation of investment manager and investment fund monitoring and unit value validation.
- PEBA will work with an audit firm to design an audit program for PEBA's investment monitoring processes. The purpose of the audit is to assure the Board that PEBA's processes are in place and are appropriate.

Management's Report

To the Members of the Legislative Assembly of Saskatchewan

The Public Employees Pension Board is composed of four members appointed on behalf of participating employers, four members appointed on behalf of employees, and a Chairperson selected through a formal recruitment process. The Board is responsible for financial administration, administration of the funds and management of assets.

The financial statements, which follow, have been prepared by management in conformity with accounting principles generally accepted in Canada and have been approved by the Board. Management uses internal controls and exercises its best judgment in order that the financial statements reflect fairly the financial position of the Plan.

The financial statements were examined by Deloitte & Touche LLP. Their report follows.

Brian Smith

Brian Smith
Assistant Deputy Minister
Public Employees Benefits Agency

Kara Marchand

Kara Marchand, CMA
Director, Corporate Services
Public Employees Benefits Agency

Regina, Saskatchewan
June 22, 2011

Public Employees Pension Board

Public Employees Pension Plan

Financial Statements

Year ended March 31, 2011

Independent Auditor's Report

Deloitte.

To the Members of the Legislative Assembly of Saskatchewan

We have audited the accompanying financial statements of the Public Employees Pension Plan, which comprise the statement of net assets available for benefits as at March 31, 2011, and the statement of changes in net assets available for benefits for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the net assets available for benefits of the Public Employees Pension Plan as at March 31, 2011, and the changes in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

June 22, 2011
Regina, Saskatchewan

Public Employees Pension Plan **Statement 1**
Statement of Net Assets Available For Benefits

As at March 31

	2011	2010
	(thousands of dollars)	
ASSETS		
Investments (Note 3)		
Short-term	$ 35,938	$ 26,265
Bonds and debentures	665,709	584,131
Equities	1,869,884	1,623,575
Pooled funds	2,055,096	1,880,403
Real estate	250,527	226,091
	4,877,154	4,340,465
Receivables		
Contributions receivable – employee	2,578	2,540
Contributions receivable – employer	2,656	3,067
Accrued investment income	8,176	8,361
	13,410	13,968
Cash	30,919	40,029
Due from General Revenue Fund (Note 5)	2,175	1,855
Total assets	4,923,658	4,396,317
LIABILITIES		
Administrative expenses payable	4,117	2,350
Refunds, transfers and other payables	3,211	1,268
Total liabilities	7,328	3,618
NET ASSETS AVAILABLE FOR BENEFITS	$4,916,330	$4,392,699

(See accompanying notes to the financial statements)
(See Schedule 1 for Net Assets Available for Benefits by Investment Option)

Public Employees Pension Plan **Statement 2**
Statement of Changes in Net Assets Available for Benefits

For the Year Ended March 31

	(thousands of dollars)	
	2011	**2010**
INCREASE IN ASSETS		
Investment income		
Interest	$ 26,101	$ 25,954
Pooled funds	67,366	60,308
Dividends	45,892	57,149
Real estate	174	5,980
Other	225	205
	139,758	149,596
Change in the market value of investments	328,638	585,355
Contributions		
Employee	108,576	102,770
Employer	122,097	115,302
External transfers in	13,242	12,514
	243,915	230,586
Total increase in assets	712,311	965,537
DECREASE IN ASSETS		
Transfers, refunds and benefits (Note 4)	160,314	109,347
Transfer to Saskatchewan Pension Annuity Fund	5,009	2,973
Investment transaction costs	3,682	2,903
Administrative expenses (Note 6)	19,675	14,613
Total decrease in assets	188,680	129,836
Increase in net assets	523,631	835,701
NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR	4,392,699	3,556,998
NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR	$4,916,330	$4,392,699

(See accompanying notes to the financial statements)
(See Schedule 2 for Statement of Changes in Net Assets Available for Benefits by Investment Option)

Public Employees Pension Plan
Notes to the Financial Statements

March 31, 2011

1. Description of Plan

The following description of the Public Employees Pension Plan is a summary only. For more complete information, reference should be made to the Plan text.

a) General

The *Public Employees Pension Plan Act* (the "Act") is the legislative authority for the Public Employees Pension Plan (the "Plan"), which is a defined contribution plan that covers the employees of a number of government entities. Effective September 1, 2002, the Plan also covers the Members of the Legislative Assembly.

The Act established the Plan to accumulate all contributions and earnings for plan members. The Plan consists of five asset allocation Funds: the Accelerated Growth Fund; the Growth Fund; the Balanced Fund; the Moderate Fund; the Conservative Fund; one lifecycle Fund: the PEPP Steps Fund; and the Short-term Bond Fund.

All Funds receive and hold, in trust for members, contributions from the members and employers ("participants") and investment income derived from the Plan's investments.

All Funds hold varying percentages of bonds, equities, real estate, mortgages, pooled funds, short-term investments and derivative financial instruments. The asset mix of each fund is established based on the expected volatility of the underlying securities and assets. The Accelerated Growth Fund is considered the most volatile and contains the highest percentage of equities relative to fixed income investments of all the funds. The Short-term Bond Fund is considered the least volatile and contains the lowest percentage of equities relative to fixed income investments.

Effective November 1, 2007, members of PEPP may choose either one of the five asset allocation funds or the PEPP Steps Fund. In addition, each member may also choose the Short-term Bond Fund.

The Plan uses a unitized method of plan participation whereby each member has a certain number of units of ownership in the net assets of the investment funds. Investment income including changes in the market value of the investments and expenses is reflected in the market value of the net asset value per unit of participation. The total available to a member upon termination or retirement is equal to the particular member's account balance at that date, subject to certain vesting and other specific rules governing the Plan.

The Plan introduced a Variable Pension Benefit option ("VPB") in May 2006 whereby retired members could elect to withdraw all or some of their pension funds either through lump-sum withdrawals or scheduled monthly payments. Members who participate in the VPB may choose to invest in any of the funds which are offered by the Plan.

b) Administration

The Act established the Public Employees Pension Board ("Pension Board") to administer the Plan. The Pension Board is comprised of nine members: four are appointed on behalf of participating employers, four on behalf of employees. The Board conducts an external recruitment process to choose a Chair, who is appointed for a three-year term. The Public Employees Benefits Agency ("PEBA") is under contract with the Board to provide day-to-day administration.

c) **Retirement**

Members may retire as early as age 50.

Upon retirement an employee may purchase an annuity from the Saskatchewan Pension Annuity Fund or from a private company that issues annuities.

Alternatively, the funds may be left in the Plan to continue to accumulate earnings to provide retirement income beginning no later than the end of the calendar year in which the member reaches age 71, be transferred to a Locked-in Retirement Account or, after age 50, to a Locked-in Retirement Income Fund, Life Income Fund or a Life Annuity from the Saskatchewan Pension Annuity Fund, or be transferred to another pension plan which has a reciprocal agreement with the Plan. Beginning in May 2006, a member may also choose to receive a variable pension benefit from the Plan.

Members who purchase their annuities from the Saskatchewan Pension Annuity Fund have their accumulated balance in the Plan at the date of retirement transferred to the Saskatchewan Pension Annuity Fund. Members who elect to receive a variable pension benefit retain their account balances within the Plan. A variable pension benefit is a periodic payment made from a registered plan to a member of that plan and which must conform to certain minimum payment requirements but not to any maximum payment requirements.

d) **Completeness of Contributions**

Participants are responsible for the accuracy and completeness of member contributions remitted to the Plan. Accordingly, these financial statements presume the accuracy and completeness of the participants' contributions.

2. Significant Accounting Policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. The following accounting policies are considered significant:

a) **Investments**

Investments are stated at fair value. The change in the fair value of investments at the beginning and end of each year is reflected in the statement of changes in net assets available for benefits.

Fair value of investments is determined as follows:

Short term investments are valued at cost which, together with accrued investment income, approximates fair value given the short term nature of these investments.

Bonds and equities are valued at year-end quoted bid prices from recognized security dealers and accredited stock exchanges on which the security is principally traded.

Pooled fund investments are valued at the unit value supplied by the pooled fund administrator, which represent the underlying net assets of the pooled fund at fair values determined using closing bid prices.

Real estate is valued using market values from independent appraisals. The frequency of real estate appraisals occurs at least semi-annually. Investments in derivative financial instruments, including futures, forwards and option contracts, are valued at year end quoted market prices where available. Where quoted market prices are not available, values are determined using pricing models, which take into account current market and contractual prices of the underlying instruments, as well as time value and yield curve or volatility factors underlying the position.

Investment transactions are recorded on the trade date.

b) **Investment Income and Transaction Costs**

Investment income, which is recorded on the accrual basis, includes interest income, dividends and real estate operating income. Brokers' commissions and other transaction costs are recognized in the statement of changes in net assets available for benefits in the period incurred.

c) **Foreign Currency Translation**

Monetary items denominated in foreign currency are translated at the exchange rate in effect at year-end. Investments, revenue and expense items are translated at the exchange rate in effect at the transaction date. Gains and losses arising on translation at year-end are included in the change in market value of the investments.

d) **Income Taxes**

The Plan is a registered pension plan, as defined by the *Income Tax Act* (Canada) and, accordingly, is not subject to income taxes.

e) **Use of Estimates**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the recorded amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statement and the recorded amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the valuation of investments. Actual results could differ from these estimates.

f) **Future Accounting Policy Changes**

In April 2010, the Canadian Accounting Standards Board (AcSB) released Part IV of the Canadian Institute of Chartered Accountants (CICA) Handbook – Accounting, which consists of Pensions Plans, Section 4600. First-time adoption of this Part of the Handbook is mandatory for fiscal years beginning on or after January 1, 2011. The plan is currently assessing the impact of these changes on the financial statements and related notes.

3. Investments

Short-term Investments

Short-term investments are comprised of treasury bills, notes and commercial paper with effective rates of 0.10% to 1.00% (2010 – 0.00% to 0.40%), and an average remaining term to maturity of 75 days (2010 - 61 days).

The Plan's investment policy states that investments must meet a minimum investment standard of "R1" or equivalent rating by a recognized credit rating service.

Other than the Government of Canada, no single issue represents more than 14.71% (2010 – 28.54%) of the market value of the short-term investment portfolio.

Bonds and Debentures

(thousands of dollars)

	2011							2010		
Years to Maturity	Federal	Provincial	Corporate	Municipal	Total	Yield to Maturity	Coupon Rate	Total	Yield to Maturity	Coupon Rate
Under 5	212,510	26,889	145,489	-	384,888	2.35%	1.25-6.75	324,122	3.68%	0.48-6.75
5 – 10	1,546	25,605	86,401	14,668	128,220	3.64%	3.37-11.0	111,486	4.51%	2.26-6.02
Over 10	43,846	55,990	51,007	1,758	152,601	4.25%	0.00-8.29	148,523	4.95%	0.00-11.0
Market Value	257,902	108,484	282,897	16,426	665,709			584,131		

Included in the above amounts of corporate bonds are foreign bonds, issued in Canadian currency, with a market value of $4.2 million (2010 - $7.0 million). Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties. As at March 31, 2011, approximately $6.6 million (2010 - $6.6 million) in asset backed securities is included in bonds.

Equities

The Plan's investment policy allows no one holding to represent more than 10% of the book value of the related portfolio and no one holding to represent more than 10% of the common stock in any corporation. As at March 31, 2011, the market value of the Plan's foreign equity investments in Canadian dollars amounted to $1,174 million (2010 - $1,011 million) and included currencies from regions around the world including Australia, Brazil, Chile, Croatia, Europe, Hong Kong, India, Israel, Japan, South Korea, Mexico, New Zealand, Norway, Singapore, Sweden, Switzerland, Thailand, United Kingdom, and United States. Foreign equities represent 62.80% (2010 – 62.29%) of the market value of the directly held equity portfolio.

Dividends are generally declared on an annual basis. The Plan's equities include common shares that have no fixed maturity date and are generally not exposed to interest rate risk. The average dividend rate is 2.77% (2010 – 3.91%).

The Plan has entered into foreign exchange forwards contracts to hedge some of its foreign currency exposure in equities. Foreign exchange forwards contracts are obligations in which two counterparties agree to exchange one currency for another at a specified price for settlement on a predetermined date in the future. Contracts are traded over the counter. Counterparties to forward contracts must have credit ratings of 'A' or better.

The Non North American Equity mandate managed by Tweedy Browne Company LLC and the US Equity mandate managed by BlackRock Asset Management Company Ltd. include currency hedging programs to reduce the impact of foreign currency changes on the Plan. Forward contracts are used to hedge the foreign currency exposure within the mandate as indicated in the following table.

FOREIGN EXCHANGE FORWARD CONTRACTS

(thousands of dollars)

		2011		2010	
# of Contracts	Currency	Notional Value*	Gain (Loss)	Notional Value*	Gain (Loss)
8	European Euro	(84,800)	(2,902)	(79,350)	8,347
5	Hong Kong Dollar	(491)	36	(1,280)	64
5	Japanese Yen	(24,400)	58	(25,815)	2,080
5	Mexican Nevo Peso	(2,999)	(105)	(4,650)	17
2	New Zealand Dollar	(330)	(9)	(370)	(2)
6	Norwegian Kroner	(3,500)	(98)	(3,950)	192
8	Pound Sterling	(32,900)	479	(28,800)	3,572
5	Singapore Dollar	(1,100)	(13)	(1,110)	62
4	South Korean Won	(5,650)	(85)	(8,300)	(84)
7	Swiss Franc	(26,900)	(1,609)	(19,070)	1,359
13	US Dollar	(288,676)	5,485	(219,476)	8,809
			1,237		24,416

* Notional value represents the contractual amount to which a rate or price is applied in order to calculate the exchange of cash flows and is therefore not recorded in the financial statements. Maturity dates range from April 08 2011 to March 30 2012.

Pooled Funds

The Plan's units in pooled funds have no fixed interest rate and the returns are based on the success of the fund manager.

The Plan's pooled funds are comprised of:

	Units Held (in thousands)		% of Total Units Outstanding		Market Value (in thousands)	
	2011	2010	2011	2010	2011	2010
Canadian Equity						
TD Emerald Canadian Market Capped Pooled Fund Trust	153,260	14,970	39.63	3.88	$243,517	$202,369
Hillsdale US Performance Equity Pooled Fund	107	113	15.50	8.64	10,728	8,630
Global Equity						
Greystone EAFE Growth Fund	24,131	23,800	19.58	19.31	229,681	212,541
Fixed Income Fund						
TD Emerald Canadian Bond Pooled Fund Trust	102,641	93,346	24.52	23.59	1,078,802	983,937
Other						
Trent River Offshore Class R2	1	2	5.10	9.70	12,334	24,810
Trent River Offshore Class R1	1	2	6.00	9.10	14,736	23,378
TD Emerald Pooled U.S. Fund	22,672	22,259	21.55	23.81	411,915	372,427
TD Emerald Canadian Short Term Investment Fund	5,440	5,216	2.76	1.99	53,383	52,311
					$2,055,096	$1,880,403

The Trent River Offshore Limited Fund at March 31, 2011 consists of $27.1 million (2010 - $48.2 million) invested in market neutral hedge funds. The hedge funds use a variety of investment strategies.

The TD Emerald Canadian Market Capped Pooled Fund Trust may invest in equity index futures to replicate the return of the S&P/TSX Composite Index components.

The TD Emerald Pooled U.S. Fund may invest in equity index futures to replicate the return of the S&P 500 Composite Index components.

The TD Emerald Canadian Bond Pooled Fund Trust may not invest in any derivative investments.

The Hillsdale US Performance Equity Pooled Fund may utilize forward contracts, swaps, futures contracts, options and other investments to hedge against currency or to achieve its investment objectives.

The TD Emerald Canadian Short Term Investment Fund may use derivatives such as options, futures, forward contracts and swaps provided the reasons for use are consistent with the Fund's objectives and strategies. The Fund does not use derivatives for speculative trading or to create a portfolio with excess leverage.

The Greystone EAFE Growth Fund, which is a fund of funds, may invest in futures contracts, forward contracts, or other derivatives provided the reasons for doing so are consistent with the investment objectives of the pooled fund.

Real Estate

Investments in real estate consist of Canadian commercial property in different geographical locations across the country.

The Plan holds $250.5 million (2010 - $220.3 million) in the Greystone Real Estate pooled fund. This represents 10.03% (2010 – 14.13%) of the total outstanding units of this pooled fund.

Fair Value

The Plan has classified its fair valued financial instrument holdings using a hierarchy that reflects the significance of the inputs used in determining their measurements.

Under the classification structure, financial instruments recorded at unadjusted quoted prices in active markets for identical assets and liabilities are classified as Level 1. Instruments valued using inputs other than quoted prices that are observable for the asset or liability either directly or indirectly are classified as Level 2. Instruments values using inputs that are not based on observable market data are classified as Level 3.

The following table classifies the Plan's required financial instruments within a fair value hierarchy:

(thousands of dollars)

	Level 1		Level 2		Level 3		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
Bonds and debentures	$ -	$ -	$ 659,135	$ 577,557	$ 6,574	$ 6,574	$ 665,709	$ 584,131
Pooled income fund	976,294	896,467	1,078,802	983,936	-	-	2,055,096	1,880,403
Short-term	35,938	26,265	-	-	-	-	35,938	26,265
Real estate funds	-	-	-	-	250,527	226,091	250,527	226,091
Equities	1,868,647	1,599,159	1,237	24,416	-	-	1,869,884	1,623,575
Total	$2,880,879	$2,521,891	$1,739,174	$1,585,909	$ 257,101	$ 232,665	$4,877,154	$4,340,465

Fair Value measurement using level 3 inputs

	Real Estate		Asset-Backed Bonds		Total	
	2011	2010	2011	2010	2011	2010
Balance at April 1	$ 226,091	$ 259,413	$ 6,574	$ -	$ 232,665	$ 259,413
Net Purchases and sales	2,524	(39,180)	-	6,574	2,524	(32,606)
Net Transfer in (out)	-	-	-	-	-	-
Gains (losses)					-	-
Realized	590	60,253	-	-	590	60,253
Unrealized	21,322	(54,395)	-	-	21,322	(54,395)
Balance at March 31	$ 250,527	$ 226,091	$ 6,574	$ 6,574	$ 257,101	$ 232,665

4. Transfers, Refunds and Benefits

	(thousands of dollars) 2011	2010
Termination refunds	$ 5,678	$ 3,692
Death and lump sum benefits	5,822	9,362
Variable pension benefits	38,306	27,018
Marital transfers	1,845	1,558
Transfers to registered retirement savings plans and to private companies providing annuities	103,914	64,009
Transfers out	4,749	3,708
	$160,314	$109,347

5. Due from General Revenue Fund

The Plan's bank accounts are included in the Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan.

The Plan's earned interest is calculated and paid by the General Revenue Fund on a quarterly basis to the Plan's bank accounts using the Government's 30 day borrowing rate and the Plan's average bank account balance. The Government's average 30 day borrowing rate in 2011 was 0.80% (2010 – 0.27%).

6. Administration Expenses

The annual operating expenditures associated with the Plan's administration are paid to the Public Employees Benefits Agency Revolving Fund except for custodial fees and investment management fees, which are paid directly.

	(thousands of dollars)			
	2011		2010	
	Budget (unaudited)	Actual	Budget (unaudited)	Actual
Administration costs	$ 6,349	$6,003	$ 6,415	$5,163
Custodial fees	1,500	1,497	962	862
Investment management fees	10,265	12,175	8,005	8,588
	$18,114	$19,675	$15,382	$14,613

7. Financial Risk Management

The nature of the Plan's operations results in a statement of net assets available for benefits that consists primarily of financial instruments. The risks that arise are credit risk, market risk (consisting of interest rate risk, foreign exchange risk and equity price risk) and liquidity risk.

Significant financial risks are related to the Plan's investments. These financial risks are managed by having an investment policy, which is approved annually by the Board. The investment policy provides guidelines to the Plan's investments managers for the asset mix of the portfolio regarding quality and quantity of fixed term investments, real estate and equity investments. The asset mix helps to reduce the impact of market value fluctuations by requiring investments in different asset classes and in domestic and foreign markets. Derivatives are allowed within the Plan to hedge against losses and substitute for direct investment. The Board's policy prevents the use of derivatives for speculative trading or to create a portfolio with leverage. PEBA reviews and reports on regular compliance reports from its investment managers and custodian as to their compliance with the investment policy. PEBA also reviews and reports on regular compliance reports from its custodian as to the investment managers' compliance with the investment policy.

Credit risk

Credit risk is the risk that one party does not pay funds owed to another party. The Plan's credit risk arises primarily from two distinct sources: accounts receivable and certain investments. The maximum credit risk to which it is exposed at March 31, 2011 is limited to the carrying value of the financial assets summarized as follows:

	(thousands of dollars)	
	2011 Carrying value	2010 Carrying value
Cash	$ 30,919	$ 40,029
Accounts receivable	13,410	13,968
Fixed income investments[1]	1,833,832	1,646,644
Due from the General Revenue Fund	2,175	1,855

[1] Includes short-term investments, money market fund, bonds and debentures, and the fixed income pooled fund.

Accounts receivable are primarily made up of employee and employer contributions receivable and accrued investment income. Employee and employer contributions receivable are generally received in less than 30 days. Accrued investment income is received on the next scheduled payment date, generally either annually or semi-annually.

Credit risk within investments is primarily related to short-term investments, bonds and debentures, and the fixed income pooled funds. It is managed through the investment policy that limits fixed term investments to those of high credit quality (minimum rating for bonds, BBB, and for short-term investments is R-1) along with limits to the maximum notional amount of exposure with respect to any one issuer.

Credit ratings for bonds and debentures are as follows:

	2011		2010	
Credit Rating	Fair Value (thousands of dollars)	Makeup of Portfolio (%)	Fair Value (thousands of dollars)	Makeup of Portfolio (%)
AAA	$307,324	46.16	$285,112	48.81
AA	182,238	27.37	146,940	25.16
A	133,125	20.00	117,482	20.11
BBB	42,371	6.37	34,597	5.92
Not Rated	651	0.10	-	-
Total	$665,709	100.00	$584,131	100.00

Within bonds and debentures, there are no holdings from one issuer, other than the Government of Canada or a Canadian province, over 3.85% (2010 – 2.48%) of the market value of the combined bonds and debentures and short term investment portfolios. No one holding of a province is over 1.41% (2010 – 1.57%) of the market value of the bond and debentures portfolio.

The Plan is also subject to credit risk through its use of forward currency contracts. The contracts are entered into between the Plan and approved counterparties. The credit risk is mitigated by limiting counterparties to specific entities approved by the Board and by settling contracts on a semi-annual basis. The currency manager must receive approval from the Board prior to engaging a new counterparty.

Market risk

Market risk represents the potential for loss from changes in the value of financial instruments. Value can be affected by changes in interest rates, foreign exchange rates and equity prices. Market risk primarily impacts the value of investments.

Interest rate risk

The Plan is exposed to changes in interest rates in its fixed income investments, including short-term investments, bonds and debentures and the fixed income pooled funds. Duration is a measure used to estimate the extent market values of fixed income instruments change with changes in interest rates. Using this measure, it is estimated that a 100 basis point increase in interest rates would decrease net assets available for benefits by $100.7 million at March 31, 2011; representing 5.8% of the $1,745 million fair value of fixed income investments. Conversely, a decrease in interest rates of 100 basis points would increase net assets available for benefits by $100.7 million at March 31, 2011; representing 5.8% of the $1,745 million fair value of fixed income investments.

Foreign exchange

The Plan is subject to changes in the U.S./Canadian dollar exchange rate for U.S. denominated investments. Also, the Plan is exposed to EAFE (Europe, Australasia and Far East) currencies through its investment in foreign equity funds. At March 31, 2011, the Plan's exposure to U.S.

equities was 19.70% (2010 – 19.58%) and its exposure to non-north American equities was 18.38% (2010 – 18.26%).

At March 31, 2011, a 10% appreciation in the Canadian dollar versus U.S. dollar exchange rate would result in approximately a $70.5 million decrease in net assets available for benefits. A 10% weakening in the Canadian dollar versus the EAFE currencies would result in approximately a $67.8 million increase in the net assets available for benefits.

The Plan's exposure to exchange rate risk resulting from the purchase of goods and services are not considered material to the operations of the Plan. The Plan has mitigated its exposure to foreign exchange through the use of derivatives as in Note 3. As at March 31, 2011, the Plan's foreign exchange exposure net of derivatives is $1,382 million. A 10% change in the exchange rate would equate to a net change of $138 million.

Equity prices

The Plan is exposed to changes in equity prices in Canadian, U.S. and EAFE markets. Equities comprise 38.3% (2010 – 37.4%) of the carrying value of the Plan's total investments. Individual stock holdings are diversified by geography, industry type and corporate entity. No one investee represents greater than 10% of the market value of the Plan. As well, no one holding represents more than 30% of the voting shares of any corporation.

The following table indicates the approximate change that could be anticipated to the increase in net assets available for benefits based on changes in the Plan's benchmark indices March 31, 2011:

	(Change in thousands of $) 10% increase	10% decrease
S&P/TSX Composite Index	$94,713	$(94,713)
S&P 500 Index	96,779	(96,779)
MSCI EAFE Index	90,291	(90,291)

Securities collateral

At March 31, 2011, no Plan assets have been deposited or pledged as collateral or margin. As part of the Plan's securities lending strategy, collateral has been pledged to the Plan by various counterparties for securities out on loan to the counterparties. At March 31, 2011, the total amount of collateral pledged to the Plan amounted to $481.0 million (2010 - $318.8 million).
Security lending obtains collateral of at least 105% of the market value of the securities lent. Such loans must be secured by cash and/or readily marketable government bonds, treasury bills and /or letters of credit, discount notes and banker's acceptances of Canadian chartered banks.

Real Estate

Risk in the real estate portfolio is managed through diversification across types and locations. Adverse impacts in any one segment of the market or geographic location are minimized by having holdings diversified across property type, geographic location and investment size.

Liquidity risk

Liquidity risk is the risk that the Plan's unable to meet its financial obligations as they fall due. Cash resources are managed on a daily basis based on anticipated cash flows.

8. Related Party Transactions

All Government of Saskatchewan agencies such as ministries, corporations, boards and commissions are related since all are controlled by the Government. Also, the Plan is related to non-crown enterprises that the Government jointly owns or significantly influences. Costs charged

by the Public Employees Benefits Agency Revolving Fund in administering the Plan are reflected in these financial statements.

The Plan holds $13.6 million (2010 - $13.0 million) Province of Saskatchewan Bonds and Debentures with a yield of 4.82% (2010 – 4.88%). Investment income including change in market value of $0.9 million (2010 - $0.7 million) was recorded from the Province of Saskatchewan Bonds and Debentures.

The Plan has an accounts payable balance as at March 31, 2011 of $0.7 million (2010 - $0.2 million) due to the Public Employees Benefits Agency Revolving Fund.

Other related party transactions are disclosed separately in these financial statements.

Account balances resulting from the above transactions are included in the statement of net assets available for benefits and are settled at agreed upon exchange rates.

9. Fair Value of Financial Assets and Liabilities

For the following financial assets and liabilities the carrying amount approximates fair value due to their immediate or short-term maturity:

a) contributions receivable
b) accrued investment income
c) due from General Revenue Fund
d) administrative expenses payable
e) refunds, transfers and other payables

The fair value of investments is disclosed in Note 3.

10. Comparative Figures

Certain prior year balances have been reclassified to conform with the current year's financial statement presentation

11. Value of Members' Accounts

In accordance with Canadian generally accepted accounting principles, various accruals are included in the Statement of Net Assets Available for Benefits. However, only transactions that were processed and unitized during the fiscal year ending March 31, 2011 are reflected in the unitized account balances of members at year-end. The total value of members' unitized accounts at March 31, 2011 was $4,909 Million (2010 – $4,383 Million).

Investment income including changes in the market value of the investments (investment performance) and expenses is reflected in the market value of the net asset value per unit of participation and is determined daily. Investment and administration expenses relating to each Fund are accrued to or paid from the Fund prior to establishing its daily unit price. The Funds' unit price will increase or decrease according to the Funds' investment performance after expenses.

Fund transactions are processed using forward pricing. This means they are processed at the next unit price set after the Plan receives contributions or requests for transfers, refunds and benefits.

Fund transactions may be suspended temporarily at management's discretion where an accurate unit price for a Fund cannot be determined due to the unavailability of reliable market pricing or other asset valuations.

On November 1, 2007, the Plan introduced a new fund structure whereby members may choose either one of the five asset allocation Funds or the PEPP Steps Fund. In addition, each member may also choose the Short-term Bond Fund. The PEPP Steps Fund is comprised of twelve separate Funds, five of which are the asset allocation Funds. In all, there are thirteen separate Funds.

The following table shows some selected data for each of the Funds:

	2011				2010			
	Units	Net asset value per unit	Total Net Assets (000's)	Return %	Units	Net asset value per unit	Total Net Assets (000's)	Return %
PEPP Step 1 (Accelerated Growth Fund)	1,301,233	97.7724	$ 127,225	12.6%	1,161,430	86.7951	$ 100,806	27.6%
PEPP Step 2	58,733	101.1301	5,940	12.7%	41,375	89.7376	3,713	26.3%
PEPP Step 3 (Growth Fund)	1,866,955	101.7243	189,915	11.5%	1,766,802	91.2059	161,143	24.0%
PEPP Step 4	185,400	103.0421	19,104	11.1%	140,725	92.7524	13,053	23.1%
PEPP Step 5 (Balanced Fund)	31,090,083	127.0199	3,949,059	10.5%	31,591,214	114.9310	3,630,810	21.1%
PEPP Step 6	207,120	106.9198	22,145	10.1%	180,238	97.1499	17,510	19.7%
PEPP Step 7	298,800	108.9509	32,555	9.7%	293,641	99.3396	29,170	18.0%
PEPP Step 8 (Moderate Fund)	1,400,339	109.5178	153,362	9.5%	1,238,374	100.0143	123,855	17.5%
PEPP Step 9	341,340	110.3881	37,680	8.8%	299,961	101.4478	30,430	15.9%
PEPP Step 10	293,843	112.5124	33,061	8.3%	219,555	103.8803	22,808	13.9%
PEPP Step 11	83,024	111.0087	9,216	7.7%	61,376	103.0760	6,326	12.5%
PEPP Step 12 (Conservative Fund)	735,012	113.5709	83,476	7.1%	489,826	106.0207	51,932	11.5%
Short-term Bond Fund	1,938,315	126.8002	245,779	3.5%	1,566,120	122.4722	191,806	3.6%
Total Unitized Net Assets			$4,908,517				$4,383,362	

Public Employees Pension Plan **Schedule 1**
Investment Options:
Statement of Net Assets Available for Benefits
As at March 31, 2011

Page 1 of 3

(thousands of dollars)	Accelerated Growth Fund	Growth Fund	Balanced Fund	Moderate Fund	Conservative Fund	PEPP Step 1	Subtotal
ASSETS							
Investments							
Short-term	962	1,304	29,804	769	631	3	33,473
Bonds and debentures	11,417	15,486	353,841	9,125	7,494	37	397,400
Equities	50,855	68,976	1,576,058	40,644	33,379	166	1,770,078
Pooled Funds	55,892	75,808	1,732,168	44,670	36,685	182	1,945,405
Real Estate	6,814	9,241	211,161	5,445	4,472	22	237,155
	125,940	170,815	3,903,032	100,653	82,661	410	4,383,511
Receivables							
Contributions receivable - employee	67	90	2,065	53	44	-	2,319
Contributions receivable - employer	68	93	2,128	55	45	-	2,389
Accrued investment income	158	214	4,895	126	104	1	5,498
	293	397	9,088	234	193	1	10,206
Cash	1,143	1,338	28,370	464	609	12	31,936
Due from General Revenue Fund	56	76	1,742	45	37	-	1,956
Total assets	127,432	172,626	3,942,232	101,396	83,500	423	4,427,609
LIABILITIES							
Liabilities							
Administration expenses payable	106	144	3,296	85	70	-	3,701
Refunds, transfers, other	83	113	2,572	66	54	-	2,888
Total liabilities	189	257	5,868	151	124	-	6,589
NET ASSETS AVAILABLE FOR BENEFITS	127,243	172,369	3,936,364	101,245	83,376	423	4,421,020

Public Employees Pension Plan
Investment Options:
Statement of Net Assets Available for Benefits
As at March 31, 2011

Schedule 1

(thousands of dollars)	PEPP Step 2	PEPP Step 3	PEPP Step 4	PEPP Step 5	PEPP Step 6	PEPP Step 7	Subtotal
ASSETS							
Investments							
Short-term	45	136	145	144	168	247	885
Bonds and debentures	535	1,613	1,720	1,711	1,994	2,931	10,504
Equities	2,382	7,185	7,661	7,622	8,881	13,055	46,786
Pooled Funds	2,618	7,896	8,420	8,377	9,760	14,348	51,419
Real Estate	319	963	1,026	1,021	1,190	1,749	6,268
	5,899	17,793	18,972	18,875	21,993	32,330	115,862
Receivables							
Contributions receivable - employee	3	9	10	10	12	17	61
Contributions receivable - employer	3	10	10	10	12	18	63
Accrued investment income	7	22	24	24	28	41	146
	13	41	44	44	52	76	270
Cash	128	254	250	239	222	218	1,311
Due from General Revenue Fund	3	8	8	8	10	14	51
Total assets	6,043	18,096	19,274	19,166	22,277	32,638	117,494
LIABILITIES							
Liabilities							
Administration expenses payable	5	15	16	16	19	27	98
Refunds, transfers, other	4	12	12	12	14	21	75
Total liabilities	9	27	28	28	33	48	173
NET ASSETS AVAILABLE FOR BENEFITS	**6,034**	**18,069**	**19,246**	**19,138**	**22,244**	**32,590**	**117,321**

Public Employees Pension Plan **Schedule 1**
Investment Options:
Statement of Net Assets Available for Benefits
As at March 31, 2011

(thousands of dollars)	PEPP Step 8	PEPP Step 9	PEPP Step 10	PEPP Step 11	PEPP Step 12	Short-term Bond Fund	Subtotal	Total
ASSETS								
Investments								
Short-term	394	286	251	70	2	577	1,580	35,938
Bonds and debentures	4,683	3,392	2,977	830	22	245,901	257,805	665,709
Equities	20,858	15,111	13,258	3,696	97	-	53,020	1,869,884
Pooled Funds	22,924	16,607	14,572	4,062	107	-	58,272	2,055,096
Real Estate	2,795	2,025	1,776	495	13	-	7,104	250,527
	51,654	37,421	32,834	9,153	241	246,478	377,781	4,877,154
Receivables								
Contributions receivable - employee	27	20	17	5	-	129	198	2,578
Contributions receivable - employer	28	20	18	5	-	133	204	2,656
Accrued investment income	65	47	41	11	-	2,368	2,532	8,176
	120	87	76	21	-	2,630	2,934	13,410
Cash	425	283	234	63	5	(3,338)	(2,328)	30,919
Due from General Revenue Fund	23	17	15	4	-	109	168	2,175
Total assets	52,222	37,808	33,159	9,241	246	245,879	378,555	4,923,658
LIABILITIES								
Liabilities								
Administration expenses payable	44	32	28	8	-	206	318	4,117
Refunds, transfers, other	34	25	22	6	-	161	248	3,211
Total liabilities	78	57	50	14	-	367	566	7,328
NET ASSETS AVAILABLE FOR BENEFITS	52,144	37,751	33,109	9,227	246	245,512	377,989	4,916,330

Public Employees Pension Plan **Schedule 2**
Investment Options:
Statement of Changes in Net Assets Available for Benefits
For the Year Ended March 31, 2011

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(thousands of dollars)	Accelerated Growth Fund	Growth Fund	Balanced Fund	Moderate Fund	Conservative Fund	PEPP Step 1	Subtotal
INCREASE IN ASSETS							
Investment income							
Interest	445	678	15,195	455	360	-	17,133
Pooled funds	424	1,640	56,962	2,462	1,995	1	63,484
Dividends	1,899	2,182	39,163	828	215	2	44,289
Real estate	6	9	151	2	-	-	168
Other	9	6	49	2	2	22	90
	2,783	4,515	111,520	3,749	2,572	25	125,164
Change in market value of investments	11,109	13,172	281,957	1,041	2,497	76	309,852
Contributions							
Employee	5,061	5,830	75,879	2,178	1,256	178	90,382
Employer	5,892	6,493	86,567	2,487	1,413	187	103,039
External transfers in	735	836	9,462	243	145	4	11,425
Interfund transfers net	4,447	(5,343)	(117,471)	8,814	29,664	(272)	(80,161)
	16,135	7,816	54,437	13,722	32,478	97	124,685
Total increase in assets	30,027	25,503	447,914	18,512	37,547	198	559,701
DECREASE IN ASSETS							
Transfers, refunds and benefits	3,007	2,682	111,715	4,814	6,015	63	128,296
Transfer to Saskatchewan Pension Annuity Fund	-	-	2,964	1,427	-	-	4,391
Investment transaction costs	94	134	3,139	81	56	-	3,504
Administrative expenses	570	699	16,808	289	133	1	18,500
Total decrease in assets	3,671	3,515	134,626	6,611	6,204	64	154,691
Increase in net assets	26,356	21,988	313,288	11,901	31,343	134	405,010
NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR	100,887	150,381	3,623,076	89,344	52,033	289	4,016,010
NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR	127,243	172,369	3,936,364	101,245	83,376	423	4,421,020

Public Employees Pension Plan **Schedule 2**
Investment Options:
Statement of Changes in Net Assets Available for Benefits
For the Year Ended March 31, 2011

(thousands of dollars)	PEPP Step 2	PEPP Step 3	PEPP Step 4	PEPP Step 5	PEPP Step 6	PEPP Step 7	Subtotal
INCREASE IN ASSETS							
Investment income							
Interest	20	20	64	28	82	123	337
Pooled funds	35	64	203	169	358	604	1,433
Dividends	73	99	187	111	183	253	906
Real estate	-	-	1	-	1	1	3
Other	52	20	22	9	9	4	116
	180	203	477	317	633	985	2,795
Change in market value of investments	508	2,061	1,381	1,193	1,449	1,891	8,483
Contributions							
Employee	1,438	2,346	1,972	1,881	1,316	1,261	10,214
Employer	1,632	2,659	2,280	2,135	1,479	1,444	11,629
External transfers in	137	237	190	157	120	124	965
Interfund transfers net	(1,230)	(347)	91	(1,198)	(85)	(2,070)	(4,839)
	1,977	4,895	4,533	2,975	2,830	759	17,969
Total increase in assets	2,665	7,159	6,391	4,485	4,912	3,635	29,247
DECREASE IN ASSETS							
Transfers, refunds and benefits	381	365	210	283	152	174	1,565
Transfer to Saskatchewan Pension Annuity Fund	-	-	-	-	-	-	-
Investment transaction costs	4	12	13	16	16	26	87
Administrative expenses	29	31	81	33	84	109	367
Total decrease in assets	414	408	304	332	252	309	2,019
Increase in net assets	2,251	6,751	6,087	4,153	4,660	3,326	27,228
NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR	3,783	11,318	13,159	14,985	17,584	29,264	90,093
NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR	6,034	18,069	19,246	19,138	22,244	32,590	117,321

Public Employees Pension Plan **Schedule 2**

Investment Options:

Statement of Changes in Net Assets Available for Benefits

For the Year Ended March 31, 2011

(thousands of dollars)	PEPP Step 8	PEPP Step 9	PEPP Step 10	PEPP Step 11	PEPP Step 12	Short-term Bond Fund	Subtotal	Total
INCREASE IN ASSETS								
Investment income								
Interest	119	137	120	40	-	8,215	8,631	26,101
Pooled funds	745	789	688	226	1	-	2,449	67,366
Dividends	268	233	163	33	-	-	697	45,892
Real estate	1	1	1	-	-	-	3	174
Other	3	-	-	-	-	16	19	225
	1,136	1,160	972	299	1	8,231	11,799	139,758
Change in market value of investments	7,457	1,551	1,267	363	42	(377)	10,303	328,638
Contributions								-
Employee	1,640	717	585	76	8	4,954	7,980	108,576
Employer	1,827	807	441	84	8	4,262	7,429	122,097
External transfers in	204	75	44	9	-	520	852	13,242
Interfund transfers net	6,835	3,808	10,843	2,768	186	60,560	85,000	-
	10,506	5,407	11,913	2,937	202	70,296	101,261	243,915
Total increase in assets	19,099	8,118	14,152	3,599	245	78,150	123,363	712,311
DECREASE IN ASSETS								
Transfers, refunds and benefits	1,581	725	3,768	678	-	23,701	30,453	160,314
Transfer to Saskatchewan Pension Annuity Fund	-	-	-	-	-	618	618	5,009
Investment transaction costs	34	28	23	6	-	-	91	3,682
Administrative expenses	93	104	90	22	-	499	808	19,675
Total decrease in assets	1,708	857	3,881	706	-	24,818	31,970	188,680
Increase in net assets	17,391	7,261	10,271	2,893	245	53,332	91,393	523,631
NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR	34,753	30,490	22,838	6,334	1	192,180	286,596	4,392,699
NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR	52,144	37,751	33,109	9,227	246	245,512	377,989	4,916,330